

Message Text

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PAGE 01 ABU DH 01704 050934Z

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ACTION EB-07

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AMEMBASSY MUSCAT

AMEMBASSY JIDDA

AMEMBASSY BEIRUT

AMEMBASSY TEHRAN

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C O N F I D E N T I A L ABU DHABI 1704

E.O. 11652: GDS

TAGS: EIND, EINV, BEXP,BTIO, TC

SUBJECT: US COMMERCIAL RELATIONS WITH DUBAI

REF: ABU DHABI A-60, OCTOBER 9, 1974

KUWAIT PASS DOHA

COMMERCE FOR CAGNE-GEORGE BECK

1. SUMMARY: AMBASSADOR ACCOMPANIED BY EMBASSY'S TWO ECON/CML OFFICERS HAS JUST CONCLUDED FOUR-DAY VISIT TO DUBAI, CONCENTRATING ON OUR COMMERCIAL INTERESTS IN THAT CITY. DUBAI HAS LONG PRESENTED DIFFICULT MARKET ENTRY PROBLEMS FOR US FIRMS. EMBASSY BELIEVES COMMERCIAL SITUATION IN THE EMIRATE IS CHANGING, ALBIET SLOWLY. OPPORTUNITIES DO EXIST FOR AN EXPANDED AMERICAN BUSINESS PRESENCE IN DUBAI. END SUMMARY

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 01704 050934Z

2. DURING A FIVE-DAY VISIT TO DUBAI, AMBASSADOR MET TWICE WITH SHAIKH RASHID, DUBAI RULER AND UAE VICE-PRESIDENT, AND WITH MAHDI TAJIR, UAE AMBASSADOR TO THE UK, FOR DISCUSSIONS OF US ECONOMIC RELATIONS WITH DUBAI. ECONOMIC OFFICERS FINNERTY AND LIMBERT ACCOMPANIED AMBASSADOR ON ONE CALL ON SHAIKH RASHID AND ON VISITS TO LEADING DUBAI MERCHANTS (AL-FUTTAIMS, AL-GHURAIRS, GALADARIS, AND OTHERS), PRESIDENT OF DUBAI PETROLEUM COMPANY, DIRECTOR OF DUBAI MUNICIPALITY, MANAGERS OF PETROLEUM MARKETING COMPANIES, THE RULER'S FINANCIAL ADVISOR, BRITISH MANAGERS OF PORT AND ENGINEERING PROJECTS, DIPLOMATS RESIDENT IN DUBAI, AND DIRECTORS OF US BANKS. IN ADDITION TO THE ABOVE OFFICIAL VISITS, WE MET MANY OF

THESE AND OTHER LOCAL FIGURES SOCIALLY AT LUNCHESES, DINNERS, AND AT A WELL-ATTENDED RECEPTION HOSTED BY THE AMBASSADOR. IN ALL OF OUR CALLS, WE EMPHASIZED THE COMMERCIAL NATURE OF OUR VISIT, AND WE FOUND BOTH EXPATRIATES AND LOCALS TO BE CORDIAL, INFORMATIVE, AND VERY PROUD OF DUBAI.

3. IN OUR CONVERSATIONS WE EMPHASIZED THE FOLLOWING POINTS:

A) OUR EMBASSY'S INTEREST IN CONTINUING GOOD RELATIONS BETWEEN THE

DUBAI MERCHANTS AND AMERICAN BUSINESS.

B) EMBASSY'S READINESS TO DO EVERYTHING WITHIN OUR ABILITY TO STRENGTHEN THESE RELATIONS.

C) OUR DESIRE TO SEE AMERICAN CONTRACTORS AND CONSULTANTS GIVEN A FAIR CHANCE TO COMPETE FOR PARTICIPATION IN THE MAJOR DEVELOPMENT PROJECTS PLANNED FOR DUBAI.

4. REACTIONS TO OUR VISIT AND TO THE ABOVE POINTS COULD BE SUMMARIZED

AS FOLLOWS:

A) DUBAI MERCHANTS WERE VERY GRATIFIED AT OFFICIAL US INTEREST IN DUBAI AND IMPLIED THAT THEY HOPED WE COULD HELP THEM BREAK THE TAJIR-COSTAIN STRANGLEHOLD ON LARGE SCALE DEVELOPMENT PROJECTS IN THE CITY.

B) ESTIMATES OF THE CHANCES OF OUTSIDERS (EITHER US OR NHN-US) WINNING LARGE CONSTRUCTION OR CONSULTING CONTRACTS IN DUBAI WERE GUARDEDLY OPTIMISTIC. MOST PERSONS PROFESSED TO SEE SIGNS OF CHANGE IN THE DIRECTION OF MORE OPEN COMPETITION, AND THE MANAGER OF SIR WILLIAM HALCROW AND PARTNERS (UK CONSULTANTS) AND THE UK

CONFIDENTIAL

PAGE 03 ABU DH 01704 050934Z

CONSUL GENERAL BOTH FELT THAT COSTAIN'S MONOPOLY DAYS WERE NUMBERED.

C) MERCHANTS OFTEN INITIATED DISCUSSION OF US'S OPENING COMMERCIAL

OFFICE IN DUBAI, STAFFED BY AMERICAN OFFICERS. THIS WAS CONSIDERED SINE QUA NON IF WE WERE INTERESTED IN SIGNIFICANT EXPANSION OF BUSINESS.

5. FROM OUR DISCUSSIONS, THE EMBASSY HAS ARRIVED AT THE FOLLOWING CONCLUSIONS.

A) GENERAL. BUSINESS AND DEVELOPMENT IN DUBAI IS STILL VERY MUCH A ONE-MAN SHOW, WITH MAHDI TAJIR PLAYING A DECISIVE ROLE IN DEVELOPMENT PROJECT DECISIONS. WHILE TAJIR IS LOCKED IN WITH A NUMBER OF BRITISH FIRMS (PARTICULARLY COSTAIN) HE IS NOT PER SE OPPOSED TO DEALING WITH AMERICAN COMPANIES, AND IN FACT IS NOW TALKING WITH SEVERAL US FIRMS ABOUT LARGE-SCALE DESALINIZATION/POWER PROJECTS FOR THE UAE.

B.) EXPORT TRADE. THE US IS THE SECOND LARGEST SUPPLIER OF GOODS TO DUBAI, ALTHOUGH THE LION'S SHARE OF OUR EXPORTS IS CONSTRUCTION MACHINERY, AIR CONDITIONING, AND OIL FIELD EQUIPMENT. OPPORTUNITIES EXIST FOR US EXPORTERS OF AUTOMOBILES AND AUTOMOBILE SPARE PARTS, FOOD PRODUCTS, HOUSEHOLD FURNISHINGS, AND VARIOUS LUXURY ITEMS. ALTHOUGH DUBAI, THROUGH ITS RE-EXPORT TRADE, SERVES A MUCH LARGER MARKET THAN JUST THE UAE, THE EMBASSY BELIEVES THAT THE OPPORTUNITIES FOR EXPANSION OF EXPORT TRADE ARE RELATIVELY LIMITED IN WHAT IS NOW A SATURATED MARKET.

C) INVESTMENT OPPORTUNITIES. HIGH PRICES QUOTE PUT AN END TO DUBAI'S GOLD TRADE AND THE INDIAN GOVERNMENT'S THOROUGH CRACK-

DOWN ON SMUGGLING HAS DEPRESSED THE TRADING SECTOR. PROMINENT MERCHANTS ARE BEGINNING TO SEE VIRTUES IN DIVERSIFICATION, PRIMARILY THROUGH INVESTMENT IN INDUSTRIAL PROJECTS IN DUBAI AND SEEKING INVESTMENT OUTLETS ABROAD. THE LARGE INFRASTRUCTURE PROJECTS, SUCH AS THE PORT AND THE DRYDOCK, HAVE ENCOURAGED SMALLER SCALE, PRIVATE INVESTMENT IN SUCH FIELDS AS CHEMICALS, LPG BOTTLING, AND LIGHT ASSEMBLY FACILITIES FOR TRUCKS AND AUTOMOTIVE SPARE PARTS.

D) LARGE DEVELOPMENT PROJECTS. EMBASSY BELIEVES THERE ARE OPPORTUNITIES FOR US CONSULTANTS AND CONTRACTORS TO PARTICIPATE IN MAJOR DEVELOPMENT PROJECTS IN DUBAI. EXPERIENCE OF THE CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ABU DH 01704 050934Z

WIMPEY-AL-FUTTAIM AND THE GALADARI-COMSTOCK JOINT VENTURES INDICATE THE COMPANIES (BOTH US AND NON-US) OTHER THAN COSTAIN CAN DO BUSINESS IN DUBAI, ESPECIALLY WHEN OPERATING IN PARTNERSHIP WITH STRONG LOCAL COMPANIES. HOWEVER, US COMPANIES WHO ARE INTERESTED IN THESE PROJECTS SHOULD REALIZE THAT COSTAIN, HALCROW, GRAY-MACKENZIE, AND OTHER UK FIRMS HAVE BEEN OPERATING IN DUBAI FOR A LONG TIME, AND THAT THEIR MANAGERS ARE USUALLY PERSONALLY KNOWN AND TRUSTED BY SHAIKY RASHID. LARGE CONTRACTS WILL NOT FALL INTO LAPS OF US COMPANIES, BUT WE BELIEVE THEY CAN BE WON AFTER PERSISTENT HARD WORK BY QUALIFIED REPRESENTATIVES

(NOT GENERAL AGENTS) WHO HAVE SUBSTANTIAL LOCAL BACKING. E.) INDUSTRIAL PLANNING CONSULTANTS. MR. ALLEN OF SIR WILLIAM HALCROW, WHO HAS BEEN WORKING IN DUBAI FOR 15 YEARS, SAID UP TO NOW

SHAIKY RASHID HAS HAD REMARKABLY GOOD RECORD OF JUDGEMENT ON PROJECTS; HOWEVER, HE NOW WONDERED WHETHER MAGNITUDE OF PROBLEMS POSED BY EXPANSION OF PORT, DRYDOCK, GRAIN SILOS, AND OTSER INDUSTRIAL PROJECTS PLANNED FOR CITY WEREN'T BECOMING TOO MUCH FOR HIM. IN EMBASSY'S OPINION THERE MAY SOON BE AN INTEREST IN CONSULTING FIRMS THAT HAVE HAD EXPERIENCE IN LARGE-SCALE PLANNING, SUCH AS ARTHUR D. LITTLE AND BOOZE ALLEN HAMILTON. WE BELIEVE IT WORTHWHILE FOR THE MAJOR US FIRMS IN THIS FIELD TO STOP BY IN DUBAI AND ACQUAINT SHAIKY RASHID WITH THEIR CAPABILITIES AND WHAT THEY HAVE DONE ELSEWHERE.

6. AT CONCLUSION OF VISIT AMBASSADOR CALLED ON SHAIKH RASHID AGAIN TO

LEAVE OUR IMPRESSIONS WITH HIM. SAID WE HAD RECEIVED WARM WELCOME EVERYWHERE AND FOUND LIVELY INTEREST IN EXPANSION OF US BUSINESS IN CITY. AMBASSADOR SAID WE WERE OF COURSE HAPPY TO SEE US FIRMS DOING WELL IN CERTAIN FIELDS SUCH AS OIL FIELD AND AIRCONDITIONING EQUIPMENT, BUT SORRY TO SEE US ACTIVITY VERY LIMITED ELSEWHERE.

AMBASSADOR SAID CAPABILITY OF US PRIVATE ENTERPRISE IS BROADER THAN T HIS

AND WE WOULD LIKE TO SEE US FIRMS HAVE FAIR CHANCE AT SOME OF DUBAI'S BIG AND PRESTIGIOUS PROJECTS AS WELL. WE ASKED FOR NO FAVORS, ONLY THAT US FIRMS BE GIVEN FAIR AND HONEST CHANCE TO COMPETE. RASHID SAID EMPHATICALLY, "THAT'S WHAT I WANT TOO, OPEN COMPETITION, AFTER ALL IT'S GOOD BUSINESS."

CONFIDENTIAL

CONFIDENTIAL

PAGE 05 ABU DH 01704 050934Z

7. SHAIKH RASHID FREQUENTLY SAYS THINGS HE DOES NOT MEAN, AND THIS OCCASION MAY HAVE BEEN ONE OF THEM. UP TO NOW, "OPEN COMPETITION" HAS NOT BEEN THE ORDER OF THE DAY IN DUBAI. NEVERTHELESS, WE HEARD FROM ANOTHER WELL CONNECTED SOURCE IN DUBAI THAT RASHID IS COMING UNDER INCREASING PRESSURE FROM YOUNGER BUSINESSMEN WHO WANT PART OF THE ACTION, HITHERTO MONOPOLIZED BY A FEW FAVORITE BRITISH AND LOCAL FIRMS. AMBASSADOR DETECTED RASHID SOMEWHAT ON DEFENSIVE ON THIS OCCASION, AND HE BELIEVES RASHID GOT OUR MESSAGE.

8. CONCLUSION. DUBAI IS BRIMMING WITH ECONOMIC ACTIVITY AND OPPORTUNITY. TO TAKE BEST ADVANTAGE OF THAT OPPORTUNITY, EMBASSY NEEDS A CONSTANT COMMERCIAL PRESENCE IN DUBAI. DUBAI MERCHANTS POLITELY REJECTED IDEA OF STAFFING OFFICE WITH NON-UAE ARAB, AND FELT THAT EVEN WITHCA DUBAI LOCAL, SUCH AN OFFICE WOULD STILL REQUIRE A FULL-TIME, QUALIFIED AMERICAN OFFICER. MOREOVER, OUR EFFORT TO PROMOTE AN INCREASED AMERICAN BUSINESS PRESENCE IN DUBAI SHOULD BE LOW KEY AND AVOID THE TRADE MISSION APPROACH. EMBASSY WILL CONTINUE TO DEVELOP KEY CONTACTS IN THE DUBAI COMMUNITY, BOTH POLITICAL AND COMMERCIAL, AND UTILIZE THESE CONTACTS TO INTRODUCE SERIOUS, INTERNATIONALLY KNOWN AND REPUTABLE US

FIRMS. DUBAI'S COMMERCIAL HABITS ARE CHANGING BUT THE PROCESS
WILL BE SLOW. THEREFORE, OUR EFFORT SHOULD BE ONE OF CONTINUAL
BUT GENTLE PRESSURE ON YHR DUBAI LEADERSHIP.
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